

Department of Social and Health Services

DP Code/Title: M2-LA Financial Reporting Improv Project

Program Level - 020 Juvenile Rehabilitatn Admin

Budget Period: 2003-05 Version: 11 2003-05 Agency Request Budget

Recommendation Summary Text:

This decision package requests fund transfers between Department of Social and Health Services (DSHS) programs that currently pay for the department's Financial Reporting System (FRS) and the Cost Allocation System (CAS), and amends the initial savings calculation estimate submitted in the agency 2001-03 Operating Budget request.

Fiscal Detail:

Operating Expenditures

Program 020

001-1 General Fund - Basic Account-State

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
	(14,000)	(14,000)	(28,000)
Total Cost	(14,000)	(14,000)	(28,000)

Staffing

Package Description:

The DSHS Finance Division and the Office of Financial Management (OFM) formed a two-year partnership, during the 2001-03 Biennium, to bring DSHS in line with other state agencies that use the Agency Financial Reporting System (AFRS) and replace the DSHS FRS. This project also integrated the DSHS CAS and functions into AFRS and developed additional features within the common statewide reporting tool (FASTRACK) that will improve financial reporting capabilities for DSHS.

The original Financial Reporting Improvement Project (FRIP) decision package requested and received \$1,365 million General Fund-State (\$1,920 million total funds), for development cost, in the 2001-03 DSHS Operating Budget request. The initial decision package assumed a savings in the 2003-05 Biennium of approximately \$800,000 per year. Savings were revised, per the 2001-03 Operating Budget notes, to \$517,000 due to the increased transactions in AFRS associated with the new CAS.

This decision package identifies the savings associated with the FRIP project upon completion and implementation of the new financial system during the 2003-05 Biennium. Identified savings have been adjusted to include the 2002 Supplemental Administrative Budget reduction.

Starting in Fiscal Year 2004, the agency will receive one invoice per month from OFM for the new combined FRS. Therefore, it is necessary to transfer the FRS allotments from DSHS programs to the Finance Division. This transfer is based on the actual program expenditures incurred for FRS during Fiscal Year 2002.

Narrative Justification and Impact Statement

How contributes to strategic plan:

This decision package contributes to the agency balanced scorecard by making efficient use of financial resources and managing the agency program's effectively.

Performance Measure Detail

Goal:

Incremental Changes
FY 1 **FY 2**

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Reason for change:

The 2001-03 Biennium authority for FRS costs are currently in the individual programs within DSHS.

This decision package identifies the savings associated with the FRIP project upon completion and implementation that will be obtained in the 2003-05 Biennium.

Impact on clients and services:

DSHS will be eliminating the FRS. This system is considered to be outdated and requires a higher degree of technical expertise to obtain correct financial information to remain useful to managers, legislative staff, and DSHS employees. Newly developed features within the common statewide reporting tool (FASTRACK), will improve financial reporting capabilities for DSHS.

Impact on other state programs:

Existing appropriation authority will be reduced in programs currently paying for FRS and CAS related costs. Savings will result from elimination of existing DSHS FRS and CAS financial systems. OFM will maintain both the AFRS integrated cost allocation system and the new financial system.

Relationship to capital budget:

None

Required changes to existing RCW, WAC, contract, or plan:

None

Alternatives explored by agency:

The original decision package explored other options and it was determined that going forward with the FRIP project was the best option for the agency. This change was also necessary to remain current with changing technology and financial information needs.

Budget impacts in future biennia:

The Fiscal Year 2005 savings may continue into the 2005-07 Biennium, unless FRIP operating costs increase.

Distinction between one-time and ongoing costs:

This is a one-time reduction for savings associated with the replacement of the former DSHS FRS and CAS systems. Ongoing costs are associated with maintaining and enhancing the new OFM integrated cost allocation and enterprise reporting financial systems.

Effects of non-funding:

None

Expenditure Calculations and Assumptions:

The FRIP project was a two-year joint effort between DSHS and OFM to create a new financial reporting system designed to eliminate the DSHS FRS system and integrate cost allocation into the AFRS maintained by OFM. Currently, the DSHS Finance Division pays for all CAS costs and 37.25 percent of the FRS costs. The other DSHS programs pay the additional

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62.75 percent of FRS costs.

We have also updated the assumptions related to the timing of savings. Starting in Fiscal Year 2003, \$371,000 was saved in operating costs.

The expenditure savings calculations are based on the following assumptions:

- Adjusted savings calculation made since the original DP code/title PL-SK FRIP from the 2001-03 Biennium.
- Adjusted the initial savings estimates for allocation processing costs due to increased transactions in AFRS. The increased volume of transactions was not taken into account in the original cost estimate. This increases the CAS processing amount by \$328,000, from the initial estimate of \$320,000 to \$648,000.
- Integration of CAS/AFRS ongoing maintenance and enhancement, at a cost of \$648,000 per year.
- FRS will continue on a limited basis through December 2003 for the 2001-03 Biennium/fiscal year-end accounting close adjustments that will take place in the 2003-05 Biennium.
- Early implementation savings beginning in Fiscal Year 2003.
- Adjustments in the Department of Information System's financial systems rate decrease, of \$156,900, which occurred with the 2002 Supplemental Budget reductions. (This is reflected as an adjustment to the original FRIP savings calculation.)
- A reduction of three Finance Division FTEs, submitted as part of the 10 percent DSHS administrative reductions to Program 110. This reduction totals \$196,930 per year.
- OFM will maintain operation and continue to enhance the AFRS integrated CAS.
- Cost estimates are based on the Fiscal Year 2002 actual expenditures, and where applicable, are carried forward to Fiscal Years 2003, 2004, 2005.
- Adds FASTRACK capabilities, at \$661,000 per year, starting in Fiscal Year 2004.
- OFM will maintain operation and continue to enhance the common statewide reporting tool (FASTRACK) to improve financial reporting capabilities for DSHS.
- Total DSHS FRS/CAS/AFRS costs for Fiscal Year 2003 are \$2,616,162.
- Total DSHS FRS/CAS/AFRS costs for Fiscal Year 2004 are \$2,918,093.
- Total DSHS FRS/CAS/AFRS costs for Fiscal Year 2005 are \$2,573,847.
- DSHS will modify and maintain cost allocation tables to ensure adherence to the agency Cost Allocation Plan.
- OFM will provide one invoice for the combined financial system.
- Transfers of FRS and CAS related costs, which are currently allotted several DSHS programs into the Intra-Agency Reimbursements-Object TZ and in the Data Processing Services-Object EL to the Finance Division. The transfer is based on Fiscal Year 2002 actual expenditures.
- Additional annual savings of \$55,614 starting in Fiscal Year 2005 and continuing in the ensuing biennium (2005-07 Biennium).

See attachment - AW M2-LA Financial Reporting Improvement Project.xls

<u>Object Detail</u>	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Program 020 Objects			
E Goods And Services	(12,000)	(12,000)	(24,000)
T Intra-Agency Reimbursements	(2,000)	(2,000)	(4,000)
Total Objects	(14,000)	(14,000)	(28,000)

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DSHS Source Code Detail

Program 020		<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Fund 001-1, General Fund - Basic Account-State				
<u>Sources</u>	<u>Title</u>			
0011	General Fund State	(14,000)	(14,000)	(28,000)
<i>Total for Fund 001-1</i>		<u>(14,000)</u>	<u>(14,000)</u>	<u>(28,000)</u>
Total Program 020		<u>(14,000)</u>	<u>(14,000)</u>	<u>(28,000)</u>